

**NORTH CENTRAL KANSAS REGIONAL
JUVENILE DETENTION FACILITY**

**FINANCIAL STATEMENT
WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NORTH CENTRAL KANSAS REGIONAL
JUVENILE DETENTION FACILITY**

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Pottberg, Gassman & Hoffman, Chtd.

INDEPENDENT AUDITORS' REPORT

Board of Directors
North Central Kansas Regional Juvenile Detention Facility
Junction City, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the North Central Kansas Regional Juvenile Detention Facility (Facility), as of and for the year ended December 31, 2015 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Facility to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

MEMBERS:
American Institute of
Certified Public Accountants

Kansas Society of Certified
Public Accountants



Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the 'Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles' paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Facility, as of December 31, 2015, or changes in financial position and cash flows thereof for the year then ended. Further, the Facility has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statement.

Basis for Qualified Opinion

The *Net Pension Liability* disclosure in footnote 3 was obtained from the Kansas Public Employees Retirement System (KPERs) June 30, 2014 and 2013 audit report. We did not perform any audit procedures on the Facility's proportionate share of the net pension liability. Consequently, we were unable to determine whether any adjustments to that amount was necessary.

Qualified Opinion on the Regulatory Basis of Accounting

In our opinion, except for the possible effect of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Facility as of December 31, 2015, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the summary statement of receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The schedule of regulatory basis receipts and expenditures-actual and budget, (Schedule 1 as listed in the table of contents) is presented for analysis and is not a required part of the basic financial statement, however is required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole on the basis of accounting described in Note 1.

The 2014 Actual column presented in the schedule of regulatory basis receipts and expenditures-actual and budget (Regulatory-Required Supplementary information as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2014 financial statement upon which we rendered an unqualified opinion dated February 13, 2015. The 2014 financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://da.ks.gov/ar/muniserv/>. Such 2014 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 financial statement. The 2014 comparative information was subjected to the auditing procedures applied in the audit of the 2014 financial statement and certain additional procedures, including comparing and reconciling such statement to the 2014 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2014 comparative information is fairly stated in all material respects to the 2014 financial statement as a whole, on the basis of accounting described in Note 1.

Pottberg, Gassman & Hoffman, Chtd.

Pottberg, Gassman & Hoffman, Chtd.
Junction City, Kansas
April 20, 2016

**NORTH CENTRAL KANSAS REGIONAL
JUVENILE DETENTION FACILITY**

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Canceled Encumbrances</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Governmental Type Fund:							
General Fund	\$ 753,071	\$ -	\$ 1,233,819	\$ 1,222,795	\$ 764,095	147	\$ 764,242
Total Reporting Entity	<u>\$ 753,071</u>	<u>\$ -</u>	<u>\$ 1,233,819</u>	<u>\$ 1,222,795</u>	<u>\$ 764,095</u>	<u>\$ 147</u>	<u>\$ 764,242</u>
Composition of Cash:				Checking Account			\$ 260,113
				Certificates of Deposit			<u>504,129</u>
				Total Reporting Entity			<u>\$ 764,242</u>

The notes to the financial statement are an integral part of this statement.

**NORTH CENTRAL KANSAS REGIONAL JUVENILE DETENTION FACILITY
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The North Central Kansas Regional Juvenile Detention Facility (Facility) is a jointly governed organization created as a separate legal entity on November 23, 1992. The Facility, located in Junction City, Kansas, was organized by its members to provide a detention facility for juvenile offenders. The governing body of the facility is composed of member county representatives. The member counties are Geary, Cloud, Riley, Dickinson, Marion, Morris, Mitchell, Republic, Lincoln, Jewell, Washington, Marshall, Pottawatomie, Ottawa and Saline.

The accounting and reporting policies of the Facility conform to the regulatory basis laws of the State of Kansas. The more significant accounting policies of the Facility are described below.

B. Regulatory Basis Fund Types

The Facility uses a Governmental fund to account for its financial activity.

General Fund – The General Fund is the operating fund of the Facility. This fund is used to account for all financial resources and is therefore, unrestricted. All expenditures of the Facility are paid from the General Fund.

C. Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The facility has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the facility to use the regulatory basis of accounting.

D. Budgetary Information

The Facility's interlocal cooperation agreement establishes the fiscal year as the twelve-month period beginning January 1. The Facility's management prepares a budget of estimated cash receipts and expenditures annually for the ensuing fiscal year. The annual operating budget is adopted, but is for internal management use only; State of Kansas statutes do not require the facility to prepare or submit a legal budget.

**NORTH CENTRAL KANSAS REGIONAL JUVENILE DETENTION FACILITY
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgetary Information (continued)

A comparison of actual cash receipts and expenditures and budget amounts is presented on the Schedule of Receipts and Expenditures – Actual and Budget in the supplementary information.

E. Use of Estimates

The preparation of the financial statement in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Date of Management's Review

The Facility evaluated subsequent events through April 20, 2016, the date in which the financial statement was available to be issued.

2. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the Facility. The statute requires banks eligible to hold the Facility's funds have a main or branch bank in the county in which the Facility is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Facility has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Facility's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Facility has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Facility may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Facility's deposits may not be returned to it. State statutes require the Facility's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Facility has no designated "peak periods." All deposits were legally secured at December 31, 2015.

**NORTH CENTRAL KANSAS REGIONAL JUVENILE DETENTION FACILITY
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015**

2. DEPOSITS AND INVESTMENTS (CONTINUED)

At December 31, 2015, the carrying amount of the Facility's deposits was \$764,242 and the bank balance was \$790,227. The bank balance was held by two banks. Of the bank balance, \$500,000 was covered by federal depository insurance and \$290,227 was collateralized with securities held by the pledging financial institutions' agents in the Facility's name. The bank balance at one of the banks not covered by federal depository insurance exceeded 5% of the total bank balances which results in a concentration of credit risk per GASBS 40, paragraph 11.

3. DEFINED BENEFIT PENSION PLAN

Plan Description. The Facility participates in the Kansas Public Employees Retirement System (KPERS) a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, etc. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-419 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009 and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law establishes the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 0.85% contribution rate for Death and Disability Program) and the statutory contribution rate was 9.33% for January 1, 2015 to June 30, 2015 and 9.48% from July 1, 2015 to December 31, 2015. Contributions to the pension plan from the Facility were \$68,478 for the year ended December 31, 2015.

Net Pension Liability

At December 31, 2015, the Facility's proportionate share of the collective net pension liability reported by KPERS was \$434,145. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013, which was rolled forward to June 30, 2014. The Facility's proportion of the net pension liability was based on the ratio of the Facility's contributions to KPERS, relative to the total employer and nonemployer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

**NORTH CENTRAL KANSAS REGIONAL JUVENILE DETENTION FACILITY
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015**

4. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Compensated Absences. The Facility's policy regarding vacation leave allows employees to accumulate vacation time based on years of continuous service as follows:

<u>Years of Continuous Service</u>	<u>Vacation Days Accrued</u>	<u>Maximum Accrual</u>
One or Less	0.75 days/mo.	9 days
1 to 10	1.25 days/mo.	20 days
10 to 15	1.50 days/mo.	24 days
Over 15	2.00 days/mo.	30 days

Vacation leave is earned by the month. Upon termination of employment an employee is entitled to pay for unused accrued vacation leave. The facility estimates the dollar amount of accrued vacation at December 31, 2015 at \$25,370.

The Facility's policy regarding sick leave allows employees to accumulate sick time based on years of continuous service as follows:

<u>Years of Continuous Service</u>	<u>Vacation Days Accrued</u>	<u>Maximum Accrual</u>
One or Less	0.50 days/mo.	6 days
Over One Year	1.0 days/mo.	90 days

Sick leave is earned by the month. Upon termination of employment, an employee is not entitled to pay for unused accrued sick leave. In December 2013, the Facility approved an incentive program in which employee's can receive cash compensation in an amount equal to 20% of the available balance of accrued sick leave due to the employee as of the end of the year. A pay-out under this program was made in January 2015 for a total of \$9,421.

Other Post Employment Benefits. Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the municipality makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

4. LITIGATION

There were no legal actions involving the Facility as of December 31, 2015.

5. RISK MANAGEMENT

The Facility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To insure against risk of these types of losses, the Facility has purchased commercial insurance coverage. Settled claims resulting from these risks have not exceeded commercial coverage in the past three years.

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

**NORTH CENTRAL KANSAS REGIONAL
JUVENILE DETENTION FACILITY**

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2014)

	<u>2014</u>		<u>2015</u>	
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
<u>GENERAL FUND</u>				
Cash Receipts:				
State and County Payments	\$ 1,169,544	1,232,676	1,264,500	(31,824)
Telephone Income	-	-	-	-
Interest	1,432	1,143	-	1,143
Total Cash Receipts	<u>1,170,976</u>	<u>1,233,819</u>	<u>1,264,500</u>	<u>(30,681)</u>
Expenditures:				
Advertising, Dues and Subscriptions	3,225	2,962	6,000	(3,038)
Accounting	12,610	13,060	14,000	(940)
Legal	8,380	11,313	10,000	1,313
General Supplies	21,318	29,806	30,000	(194)
Insurance - Property and Other	24,195	24,167	22,000	2,167
Insurance - Workers Comp	1,843	13,041	15,000	(1,959)
Food Service	70,953	70,002	92,000	(21,998)
Utilities	32,842	31,078	32,000	(922)
Telephone	6,614	6,916	8,000	(1,084)
Postage	954	1,649	2,500	(851)
Resident Medical / Miscellaneous	34,454	43,149	35,000	8,149
Payroll Taxes	45,008	50,355	75,000	(24,645)
Payroll	593,899	666,710	675,000	(8,290)
Repairs and Maintenance	32,601	27,070	30,000	(2,930)
Reimbursed Medical	3,591	2,924	1,000	1,924
Reimbursements to Agencies	875	6,607	-	6,607
Capital Outlay	67,584	63,925	5,000	58,925
Staff Training and Travel	11,145	10,813	20,000	(9,187)
KPERs Employer Contribution	57,353	68,478	64,000	4,478
Insurance - Medical	68,871	63,819	110,000	(46,181)
Resident Escheat Funds	-	10	-	10
Uniform Rentals	17,697	14,941	18,000	(3,059)
Total Expenditures	<u>1,116,012</u>	<u>1,222,795</u>	<u>1,264,500</u>	<u>(41,705)</u>
Receipts Over (Under) Expenditures	54,964	11,024		
Unencumbered Cash, January 1	<u>698,107</u>	<u>753,071</u>		
Unencumbered Cash, December 31	<u>\$ 753,071</u>	<u>764,095</u>		